State of Alaska

BALLOT MEASURE PAMPHLET

Primary Election

AUGUST 19, 2014

Your VOTE is your VOICE...
let it be heard!

Table of Contents

Primary Election Day is Tuesday, August 19, 2014

Help Your Community!

If you'd like to get paid to serve your community……

If you enjoy spending time with your neighbors and meeting new people……

If you like helping people exercise their right to vote……

Sign up to be a poll worker!

Each election cycle the regional election offices appoint hundreds of poll workers.

If you would like to be a poll worker, contact the regional office closest to you.
(Office locations are on the back of this pamphlet)

This publication was prepared by the Division of Elections, produced at a cost of $.31 per copy to inform Alaskan voters about issues appearing on the 2014 Primary Election Ballot per AS 15.58.010 and printed in Portland, Oregon.

Voting Information

Primary Election Day is August 19, 2014

Polling Places
The polls will be open from 7:00 a.m. to 8:00 p.m. on Election Day. **To locate your polling place please call 1-888-383-8683. In Anchorage, please call 269-8683.**

Bring Identification to the Polls
You MUST be prepared to show one form of identification. You may use the following ID:

- Voter ID Card
- Driver's License
- State ID Card
- Current and valid photo ID Card
- Passport
- Military ID Card
- Birth Certificate
- Hunting or Fishing License

or, you may use an original copy of one of the following documents if it contains your name and current address:

- Current Utility Bill
- Government Check
- Bank Statement
- Pay Check
- Other Government Document

If you do not have identification when voting, you will be asked to vote a questioned ballot.

What Happens if Your Name is not on Register
If your name does not appear on the precinct register, you may vote a questioned ballot. Before receiving a ballot, you must complete a questioned ballot envelope. Your voted ballot will be placed in a secrecy sleeve and then the secrecy sleeve will be sealed inside the completed questioned ballot envelope. All questioned ballots are returned to the Election Supervisor for review and counting by the Questioned Ballot Review Board.

Marking the Ballot
When voting the ballot, completely fill in the oval next to the candidate or issue you wish to vote for. Fill in the oval like this: ⬬

You only have to mark the races or issues you choose to vote for. If you mark more than one choice in a race or issue, that section of the ballot will NOT be counted. The sections of the ballot that are properly marked will be counted.

If you make a mistake marking your ballot, DO NOT erase or correct the ballot. You may return the spoiled ballot to an election worker and request a new ballot. If you attempt to correct a mistake on the ballot, the corrected vote may not be counted. **Note:** *You may only receive a replacement for a spoiled ballot 2 times.*

Campaigning Prohibited Near Polls
Alaska law prohibits political persuasion within 200 feet of any entrance to a polling place during the hours the polls are open. This means you may not discuss or display campaign items for candidates or issues appearing on the ballot at that polling place.

Voter Rights, Assistance and Concerns

Questioned Voting
If your name is not listed on the precinct register or if you do not have identification, you have the right to vote a questioned ballot. The information you provide on the outside of the questioned ballot envelope will be used to determine your voting eligibility and to update your voter registration information. If for any reason your questioned ballot is not fully counted, you will be notified in writing.

Language or Other Assistance While Voting
If you need assistance during the voting process, you may have a person of your choice provide any needed assistance as long as that person is not a candidate for office in the election, is not your employer, agent of your employer or agent of a union you belong to. Assistance may be provided during each step of the voting process, including assistance inside the voting booth with reading or marking the ballot. You may also receive assistance from the election board. This is your right under federal law.

The Division of Elections provides language assistance to Alaska Native voters who have limited English proficiency through the use of bilingual election workers and interpreters. Alaska Native language assistance is available on Election Day in many rural polling places throughout the state. In addition, Filipino (Tagalog) and Spanish language assistance is available on Election Day in certain communities along the Aleutian chain. If you need language assistance, please contact the Division of Elections. Yup'ik language assistance is available by calling, toll-free, 1-866-954-8683.

Touch Screen Voting Option
There will be one touch screen voting unit in each polling place. Touch screen voting is intended for the blind, disabled, and for voters who do not read well. Alaska's touch screen voting unit allows disabled voters to vote unassisted through the use of magnified, high contrast and audio ballots. If you need to vote using the touch screen voting unit, let the election board know.

Visually Impaired Voters
Magnifying ballot viewers for the visually impaired will be available at all polling places and absentee voting sites.

Audio recording of this Pamphlet is available at each Regional Election Office or from the Alaska State Library, Talking Book Center, located in Anchorage. Telephone the library at (907) 269-6575 for information.

Hearing Impaired Voters
The Division of Elections has a TTY telecommunications device, which allows hearing impaired voters to obtain general information about elections by calling (907) 465-3020.

Physically Disabled Voters
If you have difficulty gaining access to your polling place, or if you have accessibility questions about your polling place, please let the Division of Elections know. We make every effort to ensure that polling places are accessible to all Alaskans.

Concerns, Comments, Questions
If you have any concerns or comments about voting, if you have questions, or if you would like more information about our special services, please contact any regional elections office.

Region I **Juneau: (907) 465-3021** **Toll free: 1-866-948-8683**	**Region III** **Fairbanks: (907) 451-2835** **Toll free: 1-866-959-8683**
Region II **Anchorage: (907) 522-8683** **Toll free: 1-866-958-8683** **Mat-Su: (907) 373-8952**	**Region IV** **Nome: (907) 443-5285** **Toll free: 1-866-953-8683**

Yup'ik Language Assistance, Toll-free 1-866-954-8683

Director's Office, Toll-free 1-866-952-8683

Primary Election Ballot Types

Your party affiliation listed on the precinct register will determine the ballot type you are eligible to vote.

There are three ballot types – you may ONLY vote ONE ballot

Ballot Type	Who Can Vote This Ballot
Alaska Democratic Party, Alaska Libertarian Party, Alaskan Independence Party Candidates and Measures Ballot	**Any registered voter** Party affiliation listed on register is: (A – C – D – G – L – N – R – U – V)
Alaska Republican Party Candidates and Measures Ballot	**Voters registered as: Alaska Republican, Undeclared and Nonpartisan** Party affiliation listed on register is: (R – U – N)
Measures Only Ballot (does not include candidates)	**Any registered voter**

If you request a primary ballot type that you are not eligible to vote, you must vote a questioned ballot.

If you would like to vote for just the ballot measures and not vote for any candidates, you may request the measures only ballot.

Absentee Voting

Early / In Person / By Mail / Electronic and Special Needs Voting

There are several absentee voting options available during each election. You may vote absentee in person, by mail, by electronic transmission or vote a special needs ballot through a personal representative.

Voting Early or Absentee In Person
Beginning **August 4, 2014,** you may vote at an absentee voting site. Ballots for all 40 districts are available at all Regional Elections offices. In addition to the Regional Elections offices, there are many other voting sites throughout Alaska that will have ballots for their house district. For more information or for a list of absentee voting locations visit our website or contact a Regional Elections office.

Special Needs Voting
If you are unable to go to the polls due to age, serious illness or a disability, you may have a personal representative pick up and deliver a ballot to you beginning 15 days before an election at an absentee voting site or on Election Day at the polling place. Your personal representative can be anyone, except a candidate for office in the election, the voter's employer, an agent of the voter's employer, or an officer or agent of the voter's union.

Voting By Mail or Electronically
The Division of Elections Absentee Office in Anchorage handles all absentee by mail and electronic applications. To vote by mail or electronically, you must submit an application.

Absentee By Mail
Absentee ballot applications can be submitted after January 1st of each election year. You can request a ballot for a specific election or for all elections in the year. **Absentee by mail ballot applications for the Primary election must be received by August 9, 2014.** Apply early to ensure timely delivery of your ballot. Your voted ballot must be postmarked on or before Election Day.

Absentee By Electronic Transmission
Voting by electronic transmission should be your last alternative for casting a ballot. You may apply for electronic voting **August 4, 2014 through 5:00pm Alaska Time on August 18, 2014.** You may return your voted electronic ballot by mail or by electronic transmission. **If you return your voted ballot electronically, it must be received no later than 8:00pm Alaska Time on Election Day.** If you return your voted ballot by mail, it must be postmarked on or before Election Day.

If you have questions about voting by mail or electronically, please contact the Absentee Office at (907) 375-6400 or Toll Free 1-877-375-6508

For more information about absentee voting, contact any Division of Elections office or visit our website at:

www.elections.alaska.gov

State of Alaska Absentee Ballot Application

See instructions for application deadlines– APPLY EARLY

1. **Send ballot(s) for**: ❑ All Elections in Calendar Year ❑ Primary (August) ❑ General (November) ❑ REAA (October) ❑ Special Election

To request an absentee by mail ballot for city/borough elections, you must apply directly with your city/borough clerk's office.

2. **You MUST complete this section**:

❑ Yes ❑ No I am a citizen of the United States.

❑ Yes ❑ No I am at least 18 years old or will be within 90 days of completing this application.

If you checked NO to either question, do not complete this form as you are not eligible to register to vote.

3. **Last Name**: **First Name**: **Middle Initial**: **Suffix** (Sr., Jr., Etc.):

4. **Former Name** (if your name has changed): | ***Voter Number** (if known):

5. **Alaska Residence Address Where You Claim Residency – You MUST provide an Alaska residence address**. Do not use PO, PSC, HC or RR:

_________ _______________________________ ______ ____________________ **ALASKA**

House # **Street Name** **Apt #** **City** **State**

*❑ Keep my residence address confidential. Your mailing address in Box 6 must be **DIFFERENT** from your residence address in Box 5 to remain confidential.

6. **Permanent Mailing Address**: ____

____

____

____

7. ***Identifiers – You MUST provide at least ONE**:

SSN or Last 4 of SSN: _____ / _____ / _____ Alaska Driver's License or State ID Number: ____________________ ❑ I have not been issued a SSN or AK driver's license or State ID.

8. ***Date of Birth – You MUST provide**: ________ / ________ / ________ (Month / Day / Year) | **Sex**: ❑Male ❑Female

9. **Political Affiliation –** For information on political affiliation choices in Alaska, see Number 6 in instructions:

Write political affiliation:______________________________. Your primary election ballot type, in Box 12, is based on your political affiliation.

10. **Military and Overseas Voter ONLY – Check One**:

❑ I am a member of the Uniformed Services or merchant marine on active duty, or an eligible spouse or dependent.

❑ I am a U.S. Citizen temporarily residing outside the U.S. or other U.S. citizen residing outside the U.S.

11. **Ballot Mailing Address**: ❑ Check here to have the ballot mailed to your permanent mailing address listed above or provide a different address below:

____

____

____

____

12. ***Primary Election Ballot Type – You MUST select ONE ballot type or you may not receive a ballot**. See Number 7 in instructions**:**

❑ Ballot with Alaska Democratic Party, Alaska Libertarian Party and Alaskan Independence Party candidates and ballot measure(s).

❑ Ballot with Alaska Republican Party candidates and ballot measure(s).

❑ Ballot measure(s) ONLY (no candidates).

13. **Military and Overseas Voters ONLY – Check One:** How do you want your ballot sent?

❑Mail: Provide ballot mailing address in Box 11. ❑Online Delivery: Provide e-mail in Box 15. ❑Fax: Provide fax number in Box 15.

14. **Voters who will be outside the United States or in a remote area of Alaska ONLY –** ❑ Check this box if you will be living, working, or traveling outside the United States or in a remote area of Alaska with limited mail service and want your ballot sent to you beginning 45 days prior to a primary, general or statewide special election **(not available for REAA elections)**.

15. **Contact Information –** Include all state and international prefixes:

Daytime Phone: ________________________ Evening Phone:________________________

E-mail Address:________________________ Fax Number:________________________

16. **Voter Certificate. Read and sign**: I swear or affirm, under penalty of perjury, that: The information on this form is true, accurate, and complete to the best of my knowledge and I am eligible to vote in the requested jurisdiction, I am not requesting a ballot from any other state, and I am not voting in any other manner in this (these) election(s). I further certify that I am an Alaska resident and that I have not been convicted of a felony, or having been so convicted, have been unconditionally discharged from incarceration, probation and/or parole. I am not registered to vote in another state or I have taken the necessary steps to cancel that registration**.**

WARNING: If you provide false information on this application you can be convicted of a felony and/or misdemeanor. (AS 15.56.040; AS 15.56.050)

***Signature**____ **Date**__________

For Office Use Only	**Registrar/Agency/Official – Check ID and complete this section**
	Registrar Name______________________ Voter # or SSN______________

*Items are kept confidential by the Division of Elections and are not available for public inspection except that confidential addresses may be released to government agencies or during election processes as set out in state law.

C06 (Rev. 06/01/2013)

State of Alaska - Division of Elections
Absentee Ballot Application Instructions

You may use this application to request absentee ballots and simultaneously initially register to vote or update your voter registration record for federal and state elections. **Are you currently registered to vote?** If so, your completed application **MUST** be received at least 10 days prior to Election Day. *Military and Overseas Voters*, when requesting your ballot to be sent to you by fax or through online delivery, your application **MUST** be received no later than 5:00 p.m. Alaska Standard Time the day prior to Election Day. **Are you initially registering to vote?** If so, your completed application and any supporting documentation **MUST** be received or postmarked at least 30 DAYS prior to Election Day except, in a United States presidential election. In a presidential election, you may initially register and participate in the presidential race so long as your completed application and any supporting documentation is received 10 DAYS prior to Election Day and for *Military and Overseas Voters*, when requesting your ballot to be sent to you by fax or through online delivery, your application and any supporting documentation **MUST** be received no later than 5:00 p.m. Alaska Standard Time the day prior to Election Day.

When completing this application, provide:

1. **Alaska residence address:** You **MUST** provide a physical residence address in Alaska. Your Alaska residence address determines your voting district and precinct. Your application will be denied if you do not provide a physical residence address or if you provide a PO Box, HC Number and Box, PSC Box, Rural Route Number, Commercial Address or Mail Stop Address in Box 5 of the application.

   If your residence has been assigned a street name and house number, provide this information. If your residence address has not been assigned a street name and house number, indicate exactly where you live such as, highway name and milepost number, boat harbor with pier and slip number, subdivision name with lot and block, or trailer park name and space number. If you live in rural Alaska, you may provide the community name as your residence address.

   Are you temporarily out of state? If so, and you have intent to return (active military and military spouses are exempt from intent requirements), you may maintain your Alaska residence as it appears on your current record. If you provide a new residence address, it must be within Alaska.
2. **Proof of identity:** Your identity **MUST** be verified. If you have been issued a Social Security Number, an Alaska driver's license or Alaska state identification card number, you must provide at least one in Box 7 of the application. If you have never been issued one of the identification numbers, you may indicate this by checking the appropriate box.

   Are you submitting this application by mail, by fax or as an attachment through e-mail? If so, and if you are not already registered to vote in Alaska, your identity must be verified either at the time you register or the first time you vote. If you would like to ensure that your identity is verified at the time you register, submit a copy of one of the following:
   - Current and valid photo identification
   - Passport
   - Birth certificate
   - Driver's license
   - State identification card
   - Hunting and Fishing license

   If you do not provide proof of identification at the time of registration, you may be required to meet certain identification requirements when you vote.
3. **Date of birth:** If you do not provide a date of birth, your application may not be processed.
4. **Are you initially registering to vote from outside the State of Alaska?** If so, you must provide proof of Alaska residency, such as a copy of your Alaska driver's license, hunting or fishing license, student loan or college tuition documents, proof of employment in Alaska, military leave and earnings statement or other documentation that supports your claim as an Alaska resident.
5. **Have you been convicted of a felony?** If so, you may register to vote only if you have been unconditionally discharged. If available, provide a copy of your discharge papers with this application.
6. **Political affiliation:** **Recognized political parties** are parties that have gained recognized political party status under Alaska Statute. **Political groups** are groups who have applied for political party status but have not met the qualifications to be a recognized political party under Alaska Statutes. Political affiliations in Alaska are as follows:

   Recognized Political Parties:
   - Alaska Democratic Party
   - Alaska Libertarian Party
   - Alaska Republican Party
   - Alaskan Independence Party

   Political Groups:
   - Alaska Constitution Party
   - Green Party of Alaska
   - Veterans Party of Alaska

   Other:
   - Nonpartisan (not affiliated with a political party or group)
   - Undeclared (do not wish to declare a political affiliation)
7. **Primary election ballot type:** Your political affiliation 30 days before Election Day determines your primary election ballot type. You **MUST** select a ballot type that corresponds to your political affiliation in Box 9 of the application. If you are not affiliated with one of the **Recognized Political Parties** listed under instruction Number 6 above, and you do not select a ballot type, your application will not be processed for the primary election.
   - Any registered voter may select the Alaska Democratic Party, Alaska Libertarian Party and Alaskan Independence Party candidate ballot.
   - Only voters registered Republican, Nonpartisan or Undeclared may select the Alaska Republican Party candidate ballot.
   - Any registered voter may select the ballot measures ONLY ballot. This ballot has ballot measures only and no candidates.
8. **Voters who will be outside the United States or in a remote area of Alaska:** Check the box in Box 14 if you will be living, working or traveling outside the United States or in a remote area of Alaska with limited mail service and want your ballot sent to you beginning 45 days prior to a primary, general or statewide special election. **This option is not available for REAA elections.**
9. **Sign your application:** If you submit your application without a signature or with an electronic signature, it will be denied.
10. **Mail, fax or e-mail:** Submit your application by mail, fax or as an e-mail attachment (PDF, TIFF or JPG) to the office below:

Mailing Address:
Division of Elections
Absentee Voting Office
619 E. Ship Creek Ave., Suite 329
Anchorage, AK 99501-1677

Telephone Number: 1-907-375-6400
Toll Free Number: 1-877-375-6508 (within the U.S.)
Fax: 1-907-677-9943
E-Mail: akabsentee@alaska.gov
Yup'ik Language Assistance Toll Free: 1-866-954-8683 (within the U.S.)

C06 (Rev. 06/01/2013)

YES vs. No on Referendum Ballot Measure

A referendum is the procedure used by citizens to approve or reject a law that was passed by the legislature.

Below explains the Yes and No vote for a referendum ballot measure:

Ballot Measure No. 1 is a Referendum

This referendum is for Senate Bill 21 which was passed by the legislature in 2013.

- Voting **YES** will **REJECT** the law (SB 21) that was passed by the legislature

- Voting **NO** will **APPROVE** the law (SB 21) that was passed by the legislature

Polling Places

Due to redistricting of the legislative districts, precinct boundaries and polling places were changed to conform to the new districts.

In March 2014, voters were mailed a new voter identification card and notice of polling location. Voters are encouraged to go to their assigned polling place. If you go to a different polling location, you will be required to vote a questioned ballot.

If you are not sure where your assigned polling location is, you have the following options:

- **Scan the bar code on your new my.Alaska.gov voter ID card.**
- **Locate your polling place by entering your address online at:**

www.elections.alaska.gov

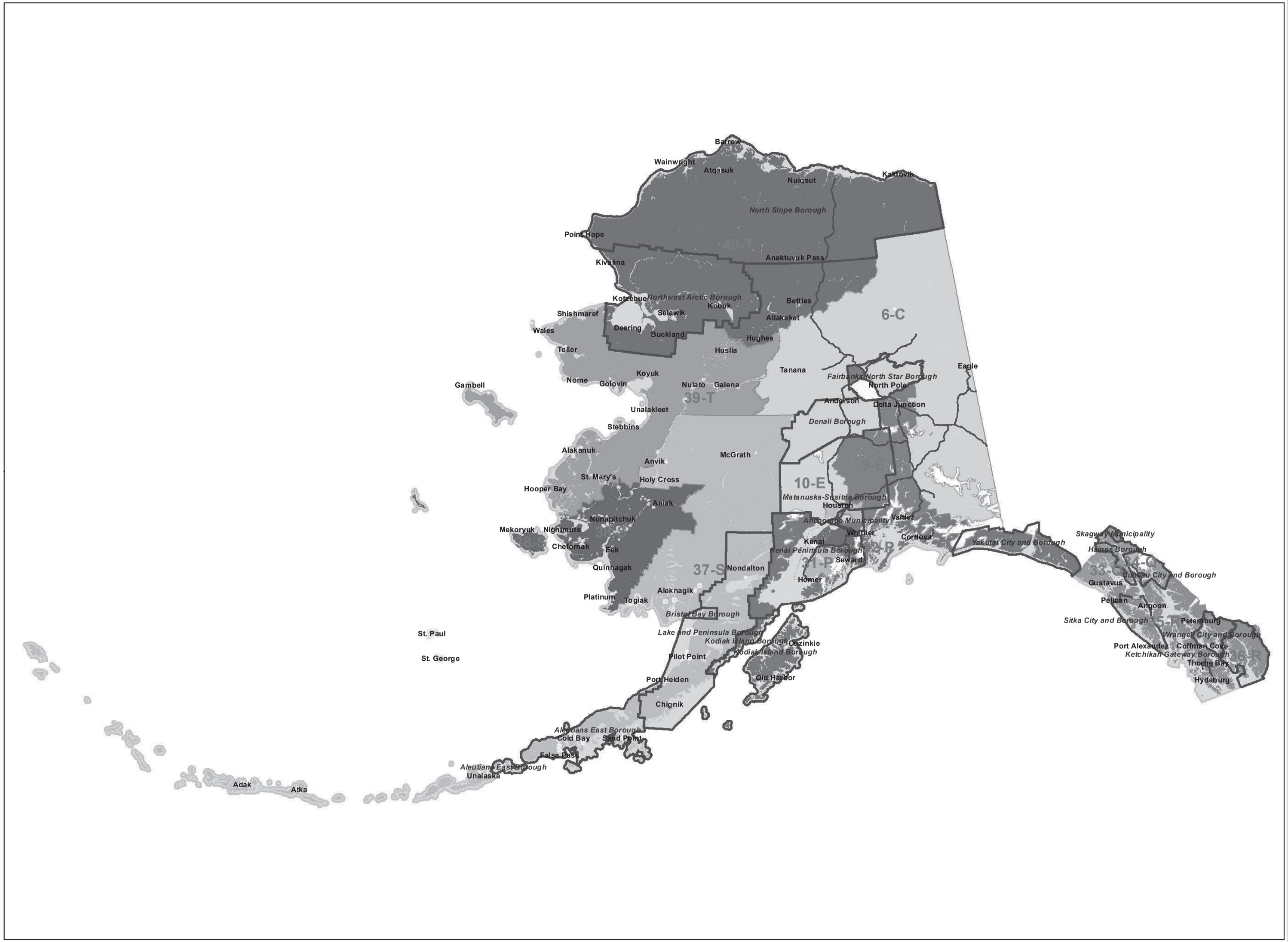
- **Call the Polling Place locator at 1-888-383-8683, or in Anchorage, please call 269-8683.**
- **Call your regional elections office:**
    - **Region I – Juneau**
      House Districts 29 – 36
      (907) 465-3021 or Toll Free 1-866-948-8683
    - **Region II – Anchorage/Mat-Su**
      House Districts 7 – 8, 10 – 28
      (907) 522-8683 or Toll Free 1-866-958-8683
    - **Region III – Fairbanks**
      House Districts 1 – 6 and 9
      (907) 451-2835 or Toll Free 1-866-959-8683
    - **Region IV – Nome**
      House Districts 37 – 40
      (907) 443-5285 or Toll Free 1-866-953-8683

You can also see if you are registered and check your registration information online!

www.elections.alaska.gov

2013 Proclamation House Districts

Statewide



N

Legend

City

Borough

Water Boundary

Prepared by:
Alaska Redistricting Board

State of Alaska
Division of Elections
House and Senate District Designations

Based on “Proclamation of Redistricting” July 14, 2013

SENATE DISTRICT	HOUSE DISTRICT	HOUSE DISTRICT
A	1 Downtown Fairbanks	2 Fairbanks/Wainwright
B	3 North Pole/Badger	4 Western Fairbanks
C	5 Chena Ridge/Airport	6 Eielson/Denali/Upper Yukon/Border Region
D	7 Greater Wasilla	8 Big Lake/Point Mackenzie
E	9 Richardson Hwy/East Mat-Su	10 Rural Mat-Su
F	11 Greater Palmer	12 Chugiak/Gateway
G	13 Fort Richardson/North Eagle River	14 Eagle River/Chugach State Park
H	15 Elmendorf	16 College Gate
I	17 University	18 Spenard
J	19 Mountainview	20 Downtown Anchorage
K	21 West Anchorage	22 Sand Lake
L	23 Taku	24 Oceanview
M	25 Abbott	26 Huffman
N	27 Basher	28 South Anchorage
O	29 North Kenai	30 Kenai/Soldotna
P	31 Homer/South Kenai	32 Kodiak/Cordova/Seldovia
Q	33 Downtown Juneau/Douglas/ Haines/Skagway	34 Mendenhall Valley
R	35 Sitka/Petersburg	36 Ketchikan/Wrangell/Metlakatla/Hydaburg
S	37 Bristol Bay/Aleutians/Upper Kuskokwim	38 Lower Kuskokwim
T	39 Bering Straits/Yukon Delta	40 Arctic

State of Alaska
Primary Election
August 19, 2014

Official XXX Party Ballot

Instructions: To vote, completely fill in the oval next to your choice, like this:

United States Senator (vote for one)
Candidate
United States Representative (vote for one)
Candidate
Governor (vote for one)
Candidate
Lieutenant Governor (vote for one)
Candidate
State Senator (vote for one)
Candidate

Continue Voting on Next Side

Instructions: To vote, completely fill in the oval next to your choice, like this: ⬬

Ballot Measure No. 1 - Referendum 13SB21
An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

Ballot Measure 1

Voters are asked to approve or reject a law amending provisions of Title 43 of the Alaska Statutes governing the oil and gas production tax and oil surcharge (collectively, “production tax”) and the statutory interest rate for delinquent taxes. The law provides a corporate income tax credit for qualified oil and gas service-industry expenditures and establishes an Oil and Gas Competitiveness Review Board in the Department of Revenue.

The law makes several changes to the production tax. For oil and gas produced after January 1, 2014, the law increases the base tax rate on the annual production tax value of oil and gas produced from leases or properties in the state from 25 percent to 35 percent. The law eliminates the “progressivity tax,” which applies only in a month in which a producer’s average monthly production tax value exceeds $30.

The law provides that qualified oil and gas produced from leases or properties on the North Slope would be eligible for a 20-percent reduction (called a “gross revenue exclusion”) in the gross value at the point of production. The gross revenue exclusion applies only to oil and gas produced from a lease that was not in a unit on January 1, 2003, from a new participating area (reservoir), or from acreage added to an existing participating area.

The law provides for an additional 10-percent gross revenue exclusion for oil and gas produced from a North Slope unit that consists solely of state leases for which the lessee (the producer of the oil and gas) is obligated to pay the state a royalty share (in money or in kind) that exceeds 12.5 percent of the value of the oil or gas produced from the lease.

The law provides that North Slope tax credits may be used to permit a taxpayer to apply a credit against its tax, or receive a certificate, in a single calendar year (instead of allowing only half the credit to be applied in a single calendar year).

The law adds two new tax credits for North Slope producers of oil and gas that may be applied against the producer’s production taxes. Neither credit is transferable or redeemable for cash, nor may any unused portion be carried forward to a later calendar year. The first is a credit of $5 per barrel of taxable oil that qualifies for the gross revenue exclusion. The second is a sliding-scale credit for each barrel of North Slope taxable oil that does not qualify for a gross revenue exclusion. The sliding-scale credit varies, and is based on $10 increments of the gross value at the point of production. It ranges from $8 a barrel in a month in which the average gross value at the point of production is less than $80 a barrel to $0 a barrel when the average gross value at the point of production equals or exceeds $150 a barrel. At a gross value between $100 and $110 per barrel, the credit would be $5 per barrel.

The law eliminates the 20-percent tax credit for qualified capital expenditures on the North Slope after January 1, 2014.

The law amends the carried-forward credit for losses incurred to explore, develop, or produce North Slope oil and gas by increasing the loss credit to 45 percent of a loss from January 1, 2014, to January 1, 2016. After January 1, 2016, the North Slope loss credit would be 35 percent. The law does not change the 25-percent loss credit for expenditures incurred south of the North Slope.

The law also extends the exploration tax credit under AS 43.55.025 for five years for certain exploration projects, and removes a qualifying requirement related to well distance for exploration wells drilled outside the Cook Inlet sedimentary basin and south of the North Slope.

The law amends the tax limitation on gas used in the state so it would not apply to gas first produced after December 31, 2012, and before January 1, 2027, from leases outside the Cook Inlet sedimentary basin and south of the North Slope.

The law also lowers the interest rate that applies to overdue taxes from five percent above the applicable federal rate, or 11 percent, whichever is greater, to three percent above the applicable federal rate.

The law substitutes the Alaska Net Income Tax Act for the progressivity tax as a suggested funding source for the legislature to consider when appropriating funds to the Community Revenue Sharing Fund.

The law adds a credit to the Alaska Net Income Tax Act for expenditures related to the oil and gas service industry. Expenditures that can qualify for credit include manufacturing or modifying tangible personal property in Alaska if that property will be used in the exploration, development, or production of oil and gas. The credit may not exceed $10 million in a calendar year, and applies only against a taxpayer’s corporate income tax liability. The credit may not be transferred or redeemed for cash, and any unused portion may be carried forward for five years. An expenditure that is the basis for this credit may not be used as a deduction from the taxpayer’s income tax, a credit or deduction under another provision in Title 43, or for any federal tax credit that a taxpayer may take under Alaska law.

The law establishes an Oil and Gas Competitiveness Review Board in the Department of Revenue. The Board’s duties include considering fiscal policies and levels of investment relating to oil and gas exploration, development, and production in the state and reviewing the state’s competitive position to attract and maintain investment in the oil and gas sector in the state. The Board is required to make reports to the legislature in 2015 and 2021. Under the law, the Board would exist until February 28, 2021.

Most of the law would take effect on or after January 1, 2014, except for sections related to transferable tax credits. Those sections would apply retroactively to January 1, 2013.

A yes vote rejects the law. A no vote approves the law.

Should this law be rejected?

◯ YES ◯ NO

2014 Primary Election
Ballot Measure No. 1
Referendum 13SB21

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes and Tax Credits

The following pages include the below information:

- Ballot Language
- Neutral Summary Prepared by Legislative Affairs Agency
- Statement of Costs
- Full Text of the Law
- Statement in Support
- Statement in Opposition

Remember to Vote
August 19, 2014

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

BALLOT LANGUAGE

Ballot Measure No. 1 - Referendum 13SB21
An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

Voters are asked to approve or reject a law amending provisions of Title 43 of the Alaska Statutes governing the oil and gas production tax and oil surcharge (collectively, "production tax") and the statutory interest rate for delinquent taxes. The law provides a corporate income tax credit for qualified oil and gas service-industry expenditures and establishes an Oil and Gas Competitiveness Review Board in the Department of Revenue.

The law makes several changes to the production tax. For oil and gas produced after January 1, 2014, the law increases the base tax rate on the annual production tax value of oil and gas produced from leases or properties in the state from 25 percent to 35 percent. The law eliminates the "progressivity tax," which applies only in a month in which a producer's average monthly production tax value exceeds $30.

The law provides that qualified oil and gas produced from leases or properties on the North Slope would be eligible for a 20-percent reduction (called a "gross revenue exclusion") in the gross value at the point of production. The gross revenue exclusion applies only to oil and gas produced from a lease that was not in a unit on January 1, 2003, from a new participating area (reservoir), or from acreage added to an existing participating area.

The law provides for an additional 10-percent gross revenue exclusion for oil and gas produced from a North Slope unit that consists solely of state leases for which the lessee (the producer of the oil and gas) is obligated to pay the state a royalty share (in money or in kind) that exceeds 12.5 percent of the value of the oil or gas produced from the lease.

The law provides that North Slope tax credits may be used to permit a taxpayer to apply a credit against its tax, or receive a certificate, in a single calendar year (instead of allowing only half the credit to be applied in a single calendar year).

The law adds two new tax credits for North Slope producers of oil and gas that may be applied against the producer's production taxes. Neither credit is transferable or redeemable for cash, nor may any unused portion be carried forward to a later calendar year. The first is a credit of $5 per barrel of taxable oil that qualifies for the gross revenue exclusion. The second is a sliding-scale credit for each barrel of North Slope taxable oil that does not qualify for a gross revenue exclusion. The sliding-scale credit varies, and is based on $10 increments of the gross value at the point of production. It ranges from $8 a barrel in a month in which the average gross value at the point of production is less than $80 a barrel to $0 a barrel when the average gross value at the point of production equals or exceeds $150 a barrel. At a gross value between $100 and $110 per barrel, the credit would be $5 per barrel.

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

The law eliminates the 20-percent tax credit for qualified capital expenditures on the North Slope after January 1, 2014.

The law amends the carried-forward credit for losses incurred to explore, develop, or produce North Slope oil and gas by increasing the loss credit to 45 percent of a loss from January 1, 2014, to January 1, 2016. After January 1, 2016, the North Slope loss credit would be 35 percent. The law does not change the 25-percent loss credit for expenditures incurred south of the North Slope.

The law also extends the exploration tax credit under AS 43.55.025 for five years for certain exploration projects, and removes a qualifying requirement related to well distance for exploration wells drilled outside the Cook Inlet sedimentary basin and south of the North Slope.

The law amends the tax limitation on gas used in the state so it would not apply to gas first produced after December 31, 2012, and before January 1, 2027, from leases outside the Cook Inlet sedimentary basin and south of the North Slope.

The law also lowers the interest rate that applies to overdue taxes from five percent above the applicable federal rate, or 11 percent, whichever is greater, to three percent above the applicable federal rate.

The law substitutes the Alaska Net Income Tax Act for the progressivity tax as a suggested funding source for the legislature to consider when appropriating funds to the Community Revenue Sharing Fund.

The law adds a credit to the Alaska Net Income Tax Act for expenditures related to the oil and gas service industry. Expenditures that can qualify for credit include manufacturing or modifying tangible personal property in Alaska if that property will be used in the exploration, development, or production of oil and gas. The credit may not exceed $10 million in a calendar year, and applies only against a taxpayer’s corporate income tax liability. The credit may not be transferred or redeemed for cash, and any unused portion may be carried forward for five years. An expenditure that is the basis for this credit may not be used as a deduction from the taxpayer’s income tax, a credit or deduction under another provision in Title 43, or for any federal tax credit that a taxpayer may take under Alaska law.

The law establishes an Oil and Gas Competitiveness Review Board in the Department of Revenue. The Board’s duties include considering fiscal policies and levels of investment relating to oil and gas exploration, development, and production in the state and reviewing the state’s competitive position to attract and maintain investment in the oil and gas sector in the state. The Board is required to make reports to the legislature in 2015 and 2021. Under the law, the Board would exist until February 28, 2021.

Most of the law would take effect on or after January 1, 2014, except for sections related to transferable tax credits. Those sections would apply retroactively to January 1, 2013.

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

A yes vote rejects the law. A no vote approves the law.

Should this law be rejected?

Yes No

LEGISLATIVE AFFAIRS AGENCY SUMMARY

This measure asks voters to approve or reject chapter 10 of the Session Laws of Alaska for the year 2013 (“the Act”).

The Act changes the oil and gas production tax. It removes the progressive part of the tax that increases when the market price of a barrel of oil increases. The Act increases the base tax rate from 25 to 35 percent.

The Act repeals a tax credit of 20 percent for certain oil and gas capital expenditures on the North Slope.

The Act reduces, by 20 percent, the taxable value of oil and gas produced from certain undeveloped areas of the North Slope. Another 10 percent reduction in value applies where the state’s royalty share exceeds 12.5 percent. These reductions lower the amount of tax collected on the qualifying oil and gas.

The Act creates two oil production tax credits. First it creates a $5 per barrel credit for oil from some areas where oil has not been commercially extracted. For the rest of oil produced, another credit is created. The value of the second credit varies from zero to $8 per barrel of oil, based on the value of oil at the point of production.

Existing credits are amended. A tax credit for losses sustained by an oil or gas producer is increased from 25 to 45 percent of those losses south of the North Slope. After January 1, 2016, the credit is reduced to 35 percent. A tax credit for exploration projects outside of the North Slope and Cook Inlet Basin is extended for five years. A requirement that wells be a certain distance apart is removed for that credit.

The Act extends to 2027 the four percent gross value tax cap on oil and gas produced outside the Cook Inlet Basin and North Slope.

The Act amends the tax payment system to accommodate the new tax rate and credits.

The Act creates a new income tax credit for items manufactured or modified in the state.

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

The Act lowers the interest rate for past due oil and gas taxes.

The Act creates a board that collects and maintains information about the oil and gas industry in the state. The board also reviews the competitiveness of the state in oil and gas production, compared to other regions. The board is repealed February 28, 2021.

Most sections of the Act took effect January 1, 2014. Some sections applied retroactively to January 1, 2013.

STATEMENT OF COSTS

Prepared by the Alaska Department of Revenue and the Alaska Department of Law
As required by AS 15.45.090(a)(4), the Alaska Departments of Revenue ("DOR") and Law ("LAW") have prepared the following statement of costs to the State of Alaska to implement the law proposed by this referendum.

This referendum would repeal the "Oil Tax Bill" known as HCS CSSB 21(FIN) am H ("SB 21") which was passed by the Alaska Legislature in April of 2013, most provisions of which go into effect on January 1, 2014. SB 21 concerns primarily oil and gas production taxes under AS 43.55, and also includes provisions concerning corporate income taxes under AS 43.20 and other tax related issues.

If this referendum is approved by the voters in the August 2014 primary election, it would require both DOR and LAW to incur additional administrative and regulatory costs to effectively implement it. This referendum would take effect thirty days after approved by a majority of qualified voters resulting in the repeal of the tax structure that was in place for nearly nine months in 2014 before the effective date of the repeal.

The following represents an estimate of the State's costs; the actual costs will likely be different. This estimate does not include litigation expenses, expenses that the legislature may incur, or potential revenue impacts to the State general fund from changes to oil and gas production tax revenues as a result of changing tax and credit rates or potential lower oil production.

The estimated range of cost to the state for the implementation of this referendum is $1,450,000 to $2,450,000. All of these would be contractual costs for DOR.

The estimated contractual costs can be broken down into three categories:

Audit Assistance:	$400,000
Systems Configuration:	$1-2 million
Regulations and Legal Support:	$50,000

Audit Assistance - DOR estimates that it will need to hire additional contract auditors at a cost of approximately $400,000 to assist with the issues that are identified as a result of the repeal of SB 21. This cost is similar to the cost that was incurred by DOR to hire contract auditors to assist with the transition from the Petroleum Production Tax (PPT) taxation system to the Alaska's Clear and Equitable Share (ACES) taxation system in 2008. The additional audit resources were needed to administer the issues that resulted with administering a tax year involving two tax different systems. DOR estimates that, if passed, this referendum would have a similar effect on its limited resources.

Systems Configuration - DOR estimates that it will incur an additional expense of approximately $1-2 million for systems configuration. In August 2014, DOR will be nearly complete with configuring the oil and gas production tax portion of its new Tax Revenue Management System (TRMS) based on SB 21 as passed. The oil and gas portion of TRMS implementation will be the largest and most complex portion of the three year project. If SB 21 is repealed, it will require DOR and its information system contractors to go back and reconfigure the system that they spent the previous months working on. Given the limited timeframe to analyze what portions of the system would need to be reconfigured for the oil and gas tax if the referendum passed, DOR's contractors have supplied an estimate of $1-2 million for this effort.

Regulations and Legal Support - The Department of Law (LAW) estimates the legal support costs associated with advising DOR through the regulations process, and with issues relating to the application of the referendum to be approximately $50,000.
The above cost estimates represent a minimum cost estimate to implement the proposed referendum.

Estimate of Costs to the State of Alaska for the Implementation of the Referendum to Repeal Production Tax Bill HCS CSSB 21(FIN) am H
Prepared by the Division of Elections

The minimum cost to the Division of Elections associated with certification of the referendum application and review of the referendum petition, excluding legal costs to the state and the costs to the state of any challenge to the validity of the petition, is estimated to be $71,257. This statement is required under AS 15.45.090(a) (3).

Elections estimate by category

Total	$71,257

Personal Services	$69,957

Expenses associated with certification of the referendum application and review of the referendum petition:

Three full-time employees at 522 hours is $29,200
8 temporary employees at 2520 hours is $40,757

Services	$ 1,300

Printing of booklets is $1,300

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

STATEMENT IN SUPPORT

VOTE YES! REPEAL THE OIL WEALTH GIVEAWAY

The oil on the North Slope belongs to all Alaskans. It is OUR oil. But Alaska's elected officials have done a poor job of ensuring that we Alaskans receive a fair return for our oil.

Recently in Senate Bill 21, they gave away billions of Alaskans' dollars that could have improved our schools, our communities and our economy.

The Alaska Constitution says our natural resources shall be managed "for the maximum benefit of the people." Senate Bill 21violates this requirement. It gives billions of dollars to oil companies with NO requirement to invest more, produce more, or create more jobs. It is a BAD deal for Alaskans.

VOTE YES and repeal the Giveaway because if we don't, Alaskans will lose billions, reducing funding for schools, roads, public safety and other critical needs. Our kids will suffer as will our economy.

VOTE YES and repeal the Giveaway because our previous tax system – Alaska's Clear and Equitable Share or **ACES – provided a fair share of profits to both industry AND Alaskans**. It was supported by Republicans, Democrats, and Independents from around the state. When oil prices fell, taxes were low; when prices rose, Alaskans benefitted. This enabled us to save for the future AND invest in creating a better Alaska.

* While ACES was in place, North Slope jobs hit all-time highs and oil field investment grew by 70%. Oil company profits soared. ConocoPhillips made $14 billion in profits, far more per barrel than their investments elsewhere in the world. ACES was a win for industry *and* Alaskans.

* ACES encouraged new companies to explore for oil to help fill the pipeline. By contrast, SB21 discourages independents and instead gives tax breaks for oil that would be produced anyway. **If SB 21 had been in effect since 2007, Alaskans would have lost $8.5 billion**, according to the Department of Revenue.

* Under SB 21, the Parnell Administration forecasts production will drop by 40% over the next decade and oil revenue by 47%. This could lead to a state income tax or raids on the Permanent Fund. **VOTE YES** to protect your PFD!

* The oil industry is spending MILLIONS to convince you to vote against the repeal. It knows industry will make billions more under SB 21 than under ACES. **Don't be fooled!**

SB 21 is in **THEIR** best interest, but it is not in **OURS.** More info at **http://itsouroilalaska.com/**

VOTE YES and repeal the Giveaway. An ethical cloud lingers over SB 21 as it passed the Senate by only one vote, and two of the "yes" votes were cast by senior oil industry employees. We can replace SB 21 with a deal that rewards all parties, encouraging development, while treating Alaskans fairly.

STAND UP FOR ALASKA and VOTE YES!

* 50,000 Alaska residents signed a petition to give you the opportunity to vote on this question. **Who do you trust?**

Vic Fischer, Delegate to the Alaska Constitutional Convention and former senator

Bella Hammond, Bristol Bay setnetter, spouse of the late Governor Jay Hammond, and devoted Alaskan

Jim Whitaker, former state legislator and mayor of the Fairbanks North Star Borough

The statement printed on this page is the opinion of the author(s) and is presented as submitted to the Division of Elections.

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

STATEMENT IN OPPOSITION

On August 19, Alaska voters will decide an issue that affects Alaska's future. To protect Alaska jobs and grow our economy, we must Vote No on Ballot Measure One.

Thousands of individuals, along with local businesses and chambers of commerce, organized labor, Alaska Native corporations and other groups from across the state, have joined together to fight Ballot Measure One because it threatens our future prosperity and way of life.

Without oil and gas, our economy would be half the size it is today. Oil taxes pay for 90 percent of state spending on public services like health care, education and public safety. For our future, we must ensure the oil industry remains viable and sustainable for the long-term.

In 2013, after countless hearings and much public debate, a new tax structure aimed at jumpstarting North Slope oil production was adopted. Why? Because after seven years under the old tax structure, oil production had declined by nearly 40 percent and throughput in our pipeline was down to one-quarter of its capacity.

The old law's high taxes made Alaska uncompetitive, and oil companies increased their investment dollars elsewhere. Opponents of the new tax structure want to go backward and repeal it, claiming it is a "giveaway" that will not increase oil production. That claim was proved false in May when a respected economist from UAA's Institute of Social and Economic Research conducted a thorough analysis proving that, under current and projected oil prices, the "giveaway does not exist." In addition, the State's own Department of Revenue recently reported an increase in oil production for the first time in many years, with projections for revenues equal to or better than the old law.

The good news for Alaskans is that tax reform is already working. New data shows oil and gas industry employment is up as companies hire workers to handle new projects spurred by the changes. North Slope companies have announced exciting new projects that did not make economic sense under the old tax. Smaller, independent oil companies are doing likewise - and there is a new proposal to build a massive natural gas pipeline from the North Slope. The spinoff benefits affect everyone, from the local restaurant server and union truck driver to the public school teacher. More oil production also adds to the Permanent Fund, and every Alaskan benefits.

The real question for Alaska voters is: Why abandon this progress to return to a failed tax system?

Simply put, Ballot Measure One is not about oil companies, it is about Alaska's future. Tax reform is working and will lead to more oil production and, because oil is crucial for our economy, that affects us all. I am a lifelong Alaskan whose roots go back five generations. I want my children to have a bright future here, which is why I volunteered to help lead this campaign.

Vote No on One this August 19 to ensure that Alaska's best days are ahead of us, not behind us.

Leslie Hajdukovich

Former President of the Fairbanks School Board

Statewide Co-Chair, Vote No on 1

The statement printed on this page is the opinion of the author(s) and is presented as submitted to the Division of Elections.

Ballot Measure 1

An Act Relating to the Oil and Gas Production Tax, Interest Rates on Overdue Taxes, and Tax Credits

FULL TEXT OF THE LAW

HOUSE CS FOR CS FOR SENATE BILL NO. 21(FIN) am H

(Chapter 10 SLA 2013)
"An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; relating to appropriations from taxes paid under the Alaska Net Income Tax Act; providing a tax credit against the corporation income tax for qualified oil and gas service industry expenditures; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; establishing an Oil and Gas Competitiveness Review Board; relating to the determination of annual oil and gas production tax value including adjustments based on a percentage of gross value at the point of production from certain leases or properties; and making conforming amendments."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* **Section 1.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund [AN AMOUNT EQUAL TO 20 PERCENT OF THE] money received by the state during the previous calendar year under <u>**AS 43.20.030(c)**</u> [AS 43.55.011(g)]. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

* **Sec. 2.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) <u>**a delinquent tax under this title,**</u>

<u>**(A) before January 1, 2014,**</u> [WHEN A TAX LEVIED IN THIS TITLE BECOMES DELINQUENT, IT] bears interest in <u>**each**</u> [A] calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, or at the annual

The text of this bill is presented as submitted by petition sponsors.

rate of 11 percent, whichever is greater, compounded quarterly as of the last day of that quarter; **or**

(B) on and after January 1, 2014, bears interest in each calendar quarter at the rate of three percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c); and

(B) unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

*** Sec. 3.** AS 43.20 is amended by adding a new section to read:

Sec. 43.20.049. Qualified oil and gas service industry expenditure credit. (a) For a tax year beginning after December 31, 2013, a taxpayer may apply a credit against the tax due under this chapter for a qualified oil and gas service industry expenditure incurred in the state. The total amount of credit a taxpayer may receive in a tax year may not exceed the lesser of 10 percent of qualified oil and gas service industry expenditures incurred in the state during the tax year or $10,000,000.

(b) A taxpayer may not apply more than $10,000,000 in tax credits under this section in a tax year. A tax credit or portion of a tax credit under this section may not be used to reduce the taxpayer's tax liability under this chapter below zero. Any unused tax credit or portion of a tax credit under this section may be applied in later tax years, except that any unused tax credit or portion of a tax credit may not be carried forward for more than five tax years immediately following the tax year in which the qualified oil and gas service industry expenditures were incurred.

(c) An expenditure that is the basis of the credit under this section may not be the basis for

(1) a deduction against the tax levied under this chapter;

(2) a credit or deduction under another provision of this title; or

(3) any federal credit claimed under this title.

(d) Notwithstanding any contrary provision of AS 40.25.100(a) or AS 43.05.230(e), for a year that three or more taxpayers claim a tax credit under this section, the department may publish the aggregated amount of tax credits claimed under this section and a description of the qualified oil and gas service industry expenditures that were the basis for a tax credit under this section.

(e) In this section,

(1) "manufacture" means to perform substantial industrial operations in the state to transform raw material into tangible personal property with a useful life of three years or more for use in the exploration for, development of, or production of oil or gas deposits;

(2) "modification" means an adjustment, equipping, or other alteration to existing tangible personal property that has a useful life of three years or more and is for use in the exploration for, development of, or production of oil or gas deposits; "modification" does not include minor product alterations or inventory activities;

(3) "qualified oil and gas service industry expenditure" means an expenditure directly attributable to an in-state manufacture or in-state modification of tangible personal property used in the exploration for, development of, or production of oil or gas deposits, but does not include components or equipment used for or in the process of that manufacturing or modification.

*** Sec. 4.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and (p) of this section, [THE TAX IS EQUAL TO]

(1) **before January 1, 2014, the tax is equal to** the sum of

(A) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(B) [(2)] the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section**;**

(2) on and after January 1, 2014, the tax is equal to the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 35 percent.

The text of this bill is presented as submitted by petition sponsors.

* **Sec. 5.** AS 43.55.011(g) is amended to read:

(g) For each month of **a** [THE] calendar year **before 2014** for which the producer's average monthly production tax value under AS 43.55.160(a)(2) **of a** [PER] BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(1)(B)** [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **of a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value **of a** [PER] BTU equivalent barrel and $30; or

(2) if the producer's average monthly production tax value **of a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value **of a** [PER] BTU equivalent barrel and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

* **Sec. 6.** AS 43.55.011(i) is amended to read:

(i) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state the ownership or right to which constitutes a landowner's royalty interest, except for oil and gas the ownership or right to which is exempt from taxation. The provisions of this subsection apply to a landowner's royalty interest as follows:

(1) the tax levied for oil is equal to five percent of the gross value at the point of production of the oil;

(2) the tax levied for gas is equal to 1.667 percent of the gross value at the point of production of the gas;

(3) if the department determines that, for purposes of reducing the producer's tax liability under (1) or (2) of this subsection, the producer has received or will receive consideration from the royalty owner offsetting all or a part of the producer's royalty obligation, other than a deduction under **AS 43.55.020 related to a settlement with a royalty owner** [AS 43.55.020(d)] of the amount of a tax paid, then, notwithstanding (1) and (2) of this subsection, the tax is equal to 25 percent of the gross value at the point of production of the oil and gas.

* **Sec. 7.** AS 43.55.011(o) is amended to read:

The text of this bill is presented as submitted by petition sponsors.

(o) Notwithstanding other provisions of this section, for a calendar year before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas produced from a lease or property outside the Cook Inlet sedimentary basin and used in the state**, other than gas subject to (p) of this section,** may not exceed the amount of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section.

*** Sec. 8.** AS 43.55.011(p) is amended to read:

(p) For the seven years immediately following the commencement of commercial production of oil or gas produced from leases or properties in the state that are outside the Cook Inlet sedimentary basin and that do not include land located north of 68 degrees North latitude, where that commercial production began after December 31, 2012, and before January 1, **2027** [2022], the levy of tax under (e) of this section for oil and gas may not exceed four percent of the gross value at the point of production.

*** Sec. 9.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under **AS 43.55.011** [AS 43.55.011(e) - (i) OR (p)] shall pay the tax as follows:

(1) **before January 1, 2014,** an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas **not subject to AS 43.55.011(o) or (p)** produced from leases or properties in the state outside the Cook Inlet sedimentary basin [BUT NOT SUBJECT TO AS 43.55.011(o) OR (p)], other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the **oil and gas** [LEASES OR PROPERTIES] under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

The text of this bill is presented as submitted by petition sponsors.

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from **the** [ALL] leases or properties during the month for which the installment payment is calculated; or

(iii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for **the oil and gas** [THOSE LEASES OR PROPERTIES] under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil **or** [AND] gas [PRODUCED FROM EACH LEASE OR PROPERTY] subject to AS 43.55.011(j), (k), **or** (o) [, OR (p)], **for each lease or property,** the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for **the** oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(D) for oil and gas subject to AS 43.55.011(p), the lesser of

(i) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

(ii) four percent of the gross value at the point of production of the oil and gas produced from the leases or properties during the month, but not less than zero;

(2) an amount calculated under (1)(C) of this subsection for oil or gas [PRODUCED FROM A LEASE OR PROPERTY

(A)] subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

[(B) SUBJECT TO AS 43.55.011(p) MAY NOT EXCEED FOUR PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS;]

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by **AS 43.55.011** [AS 43.55.011(e) OR (i)], net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production**;**

(5) on and after January 1, 2014, an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (6) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

The text of this bill is presented as submitted by petition sponsors.

(A) for oil and gas not subject to AS 43.55.011(o) or (p) produced from leases or properties in the state outside the Cook Inlet sedimentary basin, other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated; or

(iii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil and gas subject to AS 43.55.160(f) or (g);

(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for each lease or property, the greater of

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are

deductible under AS 43.55.160 for the oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(D) for oil and gas subject to AS 43.55.011(p), the lesser of

(i) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

(ii) four percent of the gross value at the point of production of the oil and gas produced from the leases or properties during the month, but not less than zero;

(6) an amount calculated under (5)(C) of this subsection for oil or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year.

*** Sec. 10.** AS 43.55.020(d) is amended to read:

(d) **Before January 1, 2014, in** [IN] making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) produced by the producer from all leases and properties in the state during the calendar year.

* **Sec. 11.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225,

(1) before January 1, 2014, an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest **(A)** [(1)] at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and **(B)** [(2)] as provided for a delinquent tax under AS 43.05.225 after that March 31**; interest** [. INTEREST] accrued under **(A)** [(1)] of this **paragraph** [SUBSECTION] that remains unpaid after that March 31 is treated as an addition to tax that bears interest under **(B)** [(2)] of this **paragraph; an** [SUBSECTION. AN] unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under AS 43.05.225**;**

(2) on and after January 1, 2014, an unpaid amount of an installment payment required under (a)(3), (5), or (6) of this section that is not paid when due bears interest (A) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (B) as provided for a delinquent tax under AS 43.05.225 after that March 31; interest accrued under (A) of this paragraph that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (B) of this paragraph; an unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under AS 43.05.225.

* **Sec. 12.** AS 43.55.020(h) is amended to read:

(h) Notwithstanding any contrary provision of AS 43.05.280,

(1) an overpayment of an installment payment required under (a)(1) - (3)**, (5) or (6)** of this section bears interest at the rate provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the later of the date the installment payment is due or the date the overpayment is made, until the earlier of

(A) the date it is refunded or is applied to an underpayment; or

(B) March 31 following the calendar year of production;

(2) except as provided under (1) of this subsection, interest with respect to an overpayment is allowed only on any net overpayment of the payments required under (a) of this section that remains after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed;

(3) interest is allowed under (2) of this subsection only from a date that is 90 days after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment was refunded within the 90-day period;

(4) interest under (2) and (3) of this subsection is paid at the rate and in the manner provided in AS 43.05.225(1).

*** Sec. 13.** AS 43.55.020 is amended by adding a new subsection to read:

(l) On and after January 1, 2014, in making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all leases and properties in the state during the calendar year.

*** Sec. 14.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS

43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY BE APPLIED FOR A SINGLE CALENDAR YEAR;]

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2)**;**

(3) a credit for a qualified capital expenditure incurred to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude may be taken only if the expenditure is incurred before January 1, 2014.

*** Sec. 15.** AS 43.55.023(b) is amended to read:

(b) **Before January 1, 2014, a** [A] producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. **For lease expenditures incurred on and after January 1, 2014, and before January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 45 percent of a carried-forward annual loss. For lease expenditures incurred on and after January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 35 percent of a carried-forward annual loss. For lease expenditures incurred on or after January 1, 2014, to explore for, develop, or produce oil or gas deposits located south of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss.** A credit under this subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year under AS 43.55.160.

*** Sec. 16.** AS 43.55.023(d) is amended to read:

(d) **A** [EXCEPT AS LIMITED BY (i) OF THIS SECTION, A] person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for **a** transferable tax credit

The text of this bill is presented as submitted by petition sponsors.

certificate [CERTIFICATES]. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant **a** [TWO] transferable tax credit **certificate for** [CERTIFICATES, EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this subsection does not expire.

* **Sec. 17.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) **of this section** or **former** (m) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

* **Sec. 18.** AS 43.55.023(n) is amended to read:

(n) For the purposes of (*l*) [AND (m)] of this section, a well lease expenditure incurred in the state south of 68 degrees North latitude is a lease expenditure that is

(1) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, located in the state south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure and an intangible drilling and development cost authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26

The text of this bill is presented as submitted by petition sponsors.

C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well includes an expenditure for well sidetracking, well deepening, well completion or recompletion, or well workover, regardless of whether the well is or has been a producing well; or

(2) an expense for seismic work conducted within the boundaries of a production or exploration unit.

* **Sec. 19.** AS 43.55.023 is amended by adding a new subsection to read:

(p) Before January 1, 2014, the provisions of (d) of this section may be limited by (i) of this section.

* **Sec. 20.** AS 43.55.024(e) is amended to read:

(e) On written application by a producer that includes any information the department may require, the department shall determine whether the producer qualifies for a calendar year under **(a) and (c) of** this section. To qualify under **(a) and (c) of** this section, a producer must demonstrate that its operation in the state or its ownership of an interest in a lease or property in the state as a distinct producer would not result in the division among multiple producer entities of any production tax liability under AS 43.55.011(e) that reasonably would be expected to be attributed to a single producer if the tax credit provisions of (a) or (c) of this section did not exist.

* **Sec. 21.** AS 43.55.024 is amended by adding new subsections to read:

(i) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit of $5 for each barrel of oil taxable under AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013. A tax credit authorized by this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below zero.

(j) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria in AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax credit under this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The amount of the tax credit for a barrel of taxable oil subject to this subsection produced during a month of the calendar year is

The text of this bill is presented as submitted by petition sponsors.

(1) $8 for each barrel of taxable oil if the average gross value at the point of production for the month is less than $80 a barrel;

(2) $7 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $80 a barrel, but less than $90 a barrel;

(3) $6 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $90 a barrel, but less than $100 a barrel;

(4) $5 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $100 a barrel, but less than $110 a barrel;

(5) $4 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $110 a barrel, but less than $120 a barrel;

(6) $3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $120 a barrel, but less than $130 a barrel;

(7) $2 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $130 a barrel, but less than $140 a barrel;

(8) $1 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $140 a barrel, but less than $150 a barrel;

(9) zero if the average gross value at the point of production for the month is greater than or equal to $150 a barrel.

*** Sec. 22.** AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section, a credit against the production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 percent of the total exploration expenditures that qualify only under (b) and (c) of this section;

(2) 30 percent of the total exploration expenditures that qualify only under (b) and (d) of this section;

(3) 40 percent of the total exploration expenditures that qualify under (b), (c), and (d) of this section;

(4) 40 percent of the total exploration expenditures that qualify only under (b) and (e) of this section;

(5) 80, 90, or 100 percent, or a lesser amount described in *(l)* of this section, of the total exploration expenditures described in (b)(1) and (2) of this section and not excluded by (b)(3) and (4) of this section that qualify only under *(l)* of this section;

(6) the lesser of $25,000,000 or 80 percent of the total exploration drilling expenditures described in (m) of this section and that qualify under (b) and **<u>(c)(1), (c)(2)(A), and (c)(2)(C)</u>** [(c)] of this section; or

(7) the lesser of $7,500,000 or 75 percent of the total seismic exploration expenditures described in (n) of this section and that qualify under (b) of this section.

*** Sec. 23.** AS 43.55.025(b) is amended to read:

(b) To qualify for the production tax credit under (a) of this section, an exploration expenditure must be incurred for work performed after June 30, 2008, and before July 1, 2016, **<u>except that to qualify for the production tax credit under (a)(1), (2), (3), or (4) of this section for exploration conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude, an exploration expenditure must be incurred for work performed after June 30, 2008, and before January 1, 2022,</u>** and

(1) may be for seismic or other geophysical exploration costs not connected with a specific well;

(2) if for an exploration well,

(A) must be incurred by an explorer that holds an interest in the exploration well for which the production tax credit is claimed;

(B) may be for either a well that encounters an oil or gas deposit or a dry hole;

(C) must be for a well that has been completed, suspended, or abandoned at the time the explorer claims the tax credit under (f) of this section; and

(D) must be for goods, services, or rentals of personal property reasonably required for the surface preparation, drilling, casing, cementing, and logging of an exploration well, and, in the case of a dry hole, for the expenses required for abandonment if the well is abandoned within 18 months after the date the well was spudded;

(3) may not be for administration, supervision, engineering, or lease operating costs; geological or management costs; community relations or environmental costs; bonuses, taxes, or other payments to governments related to the well; costs, including repairs and replacements, arising from or associated with fraud, wilful misconduct, gross negligence, criminal negligence, or violation of law, including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or other costs that are generally recognized as indirect costs or financing costs; and

(4) may not be incurred for an exploration well or seismic exploration that is included in a plan of exploration or a plan of development for any unit before May 14, 2003.

* **Sec. 24.** AS 43.55.025(m) is amended to read:

(m) The persons that drill the first four exploration wells in the state and within the areas described in (o) of this section on state lands, private lands, or federal onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (o) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (o)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012, and before July 1, 2016. A person planning to drill an exploration well on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section. The written consent of the owner of the oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in **(c)(1), (c)(2)(A), and (c)(2)(C)** [(c)] of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall make a written determination approving or rejecting an exploration well within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving the exploration well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (o) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

*** Sec. 25.** AS 43.55.028(e) is amended to read:

(e) The department, on the written application of a person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) or **former AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate if the department finds that

(1) the calendar year of the purchase is not earlier than the first calendar year for which the credit shown on the certificate would otherwise be allowed to be applied against a tax;

(2) the applicant does not have an outstanding liability to the state for unpaid delinquent taxes under this title;

(3) the applicant's total tax liability under AS 43.55.011(e), after application of all available tax credits, for the calendar year in which the application is made is zero;

(4) the applicant's average daily production of oil and gas taxable under AS 43.55.011(e) during the calendar year preceding the calendar year in which the application is made was not more than 50,000 BTU equivalent barrels; and

(5) the purchase is consistent with this section and regulations adopted under this section.

*** Sec. 26.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds and payments under AS 43.20.046 or 43.20.047 when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under **former** AS 43.55.023(m) or a claim for a refund or payment under AS 43.20.046 or 43.20.047.

*** Sec. 27.** AS 43.55.030(e) is amended to read:

(e) An explorer or producer that incurs a lease expenditure under AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar year but does not produce oil or gas from a lease or property in the state during the calendar year shall file with the department**,** on March 31 of the following year, a statement, under oath, in a form prescribed by the department, giving, with other information required, the following:

(1) the **explorer's or** producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170; and

(2) if the explorer or producer receives a payment or credit under AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount.

* **Sec. 28.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b)**, (f), and (g)** of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of [THE] taxable oil, gas, or oil and gas [SUBJECT TO THIS PARAGRAPH] produced during a calendar year **in a category for which a separate annual production tax value is required to be calculated under this paragraph** is the gross value at the point of production of **that** [THE] oil, gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas **in that category** [, AS APPLICABLE,] produced by the producer **during the calendar year** [FROM LEASES OR PROPERTIES], as adjusted under AS 43.55.170; **a separate annual production tax value must be calculated for** [THIS PARAGRAPH APPLIES TO]

(A) oil and gas produced from leases or properties in the state that include land north of 68 degrees North latitude, other than gas produced before 2022 and used in the state;

(B) oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude **and that qualifies for a tax credit under AS 43.55.024(a) and (b)**; this subparagraph does not apply to [GAS]

(i) **gas** produced before 2022 and used in the state; or

(ii) oil and gas subject to AS 43.55.011(p);

(C) oil produced before 2022 from **each** [A] lease or property in the Cook Inlet sedimentary basin;

(D) gas produced before 2022 from **each** [A] lease or property in the Cook Inlet sedimentary basin;

(E) gas produced before 2022 from **each** [A] lease or property in the state outside the Cook Inlet sedimentary basin and used in the state**, other than gas subject to AS 43.55.011(p);**

(F) oil and gas subject to AS 43.55.011(p) produced from leases or properties in the state;

(G) oil and gas produced from **leases or properties in the state** [A LEASE OR PROPERTY] no part of which is north of 68 degrees North latitude, other than oil or gas described in (B), (C), (D), (E), or (F) of this paragraph;

(2) AS 43.55.011(g), **for oil and gas produced before January 1, 2014,** the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170.

* **Sec. 29.** AS 43.55.160 is amended by adding new subsections to read:

(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1) of this section, the gross value at the point of production of oil or gas produced from a lease or property north of 68 degrees North latitude meeting one or more of the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. This subsection does not apply to gas produced before 2022 that is used in the state. A reduction under this subsection may not reduce the gross value at the point of production below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources.

(g) On and after January 1, 2014, in addition to the reduction under (f) of this section, in the calculation of an annual production tax value of a producer under (a)(1) of this section, the gross value at the point of production of oil or gas produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if the oil or gas is produced from a unit made up solely of leases that have a royalty share of more than 12.5 percent in amount or value of the production removed or sold from the lease as determined under AS 38.05.180(f). This subsection does not apply if the royalty obligation for one or more of the leases in the unit has been reduced to 12.5 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the annual production tax is calculated. This subsection does not apply to gas produced before 2022 that is used in the state. A reduction under this subsection may not reduce the gross value at the point of production below zero.

* **Sec. 30.** AS 43.56.160 is amended to read:

Sec. 43.56.160. Interest and penalty. When the tax levied by AS 43.56.010(a) becomes delinquent, a penalty of 10 percent shall be added. **<u>Before January 1, 2014, interest</u>** [INTEREST] on the delinquent taxes, exclusive of penalty, shall be assessed at a rate of eight percent a year.

On and after January 1, 2014, interest on the delinquent taxes, exclusive of penalty, shall be assessed at the rate specified in AS 43.05.225.

*** Sec. 31.** AS 43.98 is amended by adding new sections to read:

Article 2. Oil and Gas Competitiveness Review Board.

Sec. 43.98.040. Oil and Gas Competitiveness Review Board. (a) The Oil and Gas Competitiveness Review Board is established in the department.

(b) The board shall consist of 11 members as follows:

(1) two members nominated by the two leading nonprofit trade associations representing the oil and gas industry in the state and appointed by the governor, with one member nominated by each association;

(2) the chair of the Alaska Oil and Gas Conservation Commission or the chair's designee;

(3) three members of the public appointed by the governor, including one member who is a petroleum engineer, one member who is a geologist, and one member who is a financial analyst;

(4) the commissioner of environmental conservation or the commissioner's designee;

(5) the commissioner of natural resources or the commissioner's designee;

(6) the commissioner of revenue or the commissioner's designee;

(7) two members of the public who do not represent the oil and gas industry, appointed by the governor.

(c) The governor shall, every two years, designate one of the members as chair.

(d) Members of the board appointed under (b)(1), (3), and (7) of this section serve for four years. An individual who has served on the board may be reappointed.

(e) A vacancy on the board shall be filled in the manner of the original appointment.

(f) A member of the board may be removed and replaced at the discretion of the governor.

(g) The members of the board appointed under (b)(1), (3), and (7) of this section serve without compensation but shall receive per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(h) The board may enter into contracts for professional services. The department shall provide staff for administrative support for the board.

(i) The board shall meet at least once in a calendar year.

Sec. 43.98.050. Duties. The duties of the board include the following:

(1) establish and maintain a salient collection of information related to oil and gas exploration, development, and production in the state and related to tax structures, rates, and credits in other regions with oil and gas resources;

(2) review historical, current, and potential levels of investment in the state's oil and gas sector;

(3) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(4) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(5) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to confidential information;

(6) make written findings and recommendations to the Alaska State Legislature before

(A) January 31, 2015, or as soon thereafter as practicable,

(i) changes to the state's regulatory environment and permitting structure that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(ii) the status of the oil and gas industry labor pool in the state and the effectiveness of workforce development efforts by the state;

(iii) the status of the oil-and-gas-related infrastructure of the state, including a description of infrastructure deficiencies; and

(iv) the competitiveness of the state's fiscal oil and gas tax regime when compared to other regions of the world;

(B) January 31, 2021, or as soon thereafter as practicable, regarding

(i) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources;

(ii) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources; and

(iii) a review of the current effectiveness and future value of any provisions of the state's oil and gas tax laws that are expiring in the next five years.

Sec. 43.98.060. Information to be provided to board. (a) The commissioner of natural resources, the commissioner of revenue, the commissioner of environmental conservation, and other commissioners and state agencies that have responsibility for and maintain information related to oil and gas investment and activity in the state shall, at the request of the board, provide information required by the board to carry out the duties described in AS 43.98.050.

(b) At the request of the board, and except for information that is confidential under AS 40.25.100(a) or AS 43.05.230 and information required to be held confidential by the Alaska Oil and Gas Conservation Commission, a commissioner may disclose to the board information that is otherwise confidential after each member of the board and each staff member for the board with access to the information signs a confidentiality agreement prepared by the commissioner making the disclosure. Information that is confidential under AS 43.05.230 may not be disclosed to the board.

Sec. 43.98.070. Definition. In AS 43.98.040 - 43.98.070, "board" means the Oil and Gas Competitiveness Review Board.

* **Sec. 32.** AS 43.55.023(m) is repealed.

* **Sec. 33.** AS 43.55.020(d), 43.55.023(i), and 43.55.023(p) are repealed January 1, 2014.

* **Sec. 34.** AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed February 28, 2021.

The text of this bill is presented as submitted by petition sponsors.

* **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) Section 7 of this Act and AS 43.55.160(a)(1)(E), as amended by sec. 28 of this Act, apply to oil and gas produced after December 31, 2012.

(b) AS 43.55.023(a)(1), as amended by sec. 14 of this Act, and secs. 16 - 19 of this Act apply to expenditures incurred on and after January 1, 2013.

* **Sec. 36.** The uncodified law of the State of Alaska is amending by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the respective provision of this Act.

* **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: OIL AND GAS COMPETITIVENESS REVIEW BOARD. The governor shall appoint the initial members of the Oil and Gas Competitiveness Review Board, established in sec. 31 of this Act, before January 1, 2014. The initial terms of the members of the board appointed under AS 43.98.040(b)(1), (3), and (7) shall be four years.

* **Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 7, 16 - 19, 25, and 32 of this Act, AS 43.55.023(a)(1), as amended by sec. 14 of this Act, and AS 43.55.160(a)(1)(E), as amended by sec. 28 of this Act, are retroactive to January 1, 2013.

STATE OF ALASKA
Division of Elections
P.O. Box 110017
Juneau, Alaska 99811-0017

NON PROFIT ORGANIZATION
US POSTAGE PAID
PORTLAND, OR
PERMIT #4818

TO LOCATE YOUR POLLING PLACE CALL: 1-888-383-8683
In Anchorage (907) 269-8683

REGIONAL ELECTIONS OFFICES

Region I Elections Office
(House Districts 29-36)
P.O. Box 110018
Juneau, Alaska 99811-0018
Phone: (907) 465-3021
1-866-948-8683

Region III Elections Office
(House Districts 1-6, 9)
675 7th Avenue, Suite H-3
Fairbanks, Alaska 99701-4542
Phone: (907) 451-2835
1-866-959-8683

Region IV Elections Office
(House Districts 37-40)
P.O. Box 577
Nome, Alaska 99762-0577
Phone: (907) 443-5285
1-866-953-8683

Region II Elections Office
(House Districts 7-8, 10-28)
Anchorage Office
2525 Gambell Street, Suite 100
Anchorage, Alaska 99503-2838
Phone: (907) 522-8683
1-866-958-8683

Matanuska-Susitna Elections Office
1700 E. Bogard Road, Suite B102
Wasilla, Alaska 99654
Phone: (907) 373-8952